

# **FISCAL NOTE**

## **SB 1927 - HB 1259**

March 12, 2007

**SUMMARY OF BILL:** Exempts bread, milk, eggs, baby food, and baby formula from state sales tax, effective July 1, 2007. Authorizes local governments to reduce or eliminate local option sales tax for the specified items following passage of an ordinance or resolution.

### **ESTIMATED FISCAL IMPACT:**

**Decrease State Revenues - \$20,957,000 / General Fund**  
**\$47,002,000 / Education Fund**  
**\$265,000 / Department of Revenue**  
**\$663,000 / Sinking Fund**

**Decrease Local Govt. Revenues - \$3,316,000**

**Other Fiscal Impact - An additional permissive decrease to local government revenues of \$29,326,000 per year. This estimate assumes 100% of local governments enact, by ordinance or resolution, local sales tax exemptions for the specified items.**

#### Assumptions:

- Taxable sales for food and food ingredients have been estimated to be approximately \$8,146,126,000 in Tennessee for FY07-08.
- Based from data obtained from the U.S. Department of Labor's Consumer Expenditure Survey and the U.S. Department of Agriculture's Special Supplemental Nutrition Program for Women, Infants, and Children, approximately 16.0% of all food and food ingredient expenditures are for the specific items identified in this legislation.
- Taxable sales for bread, milk, eggs, baby food, and baby formula in Tennessee for FY07-08 are estimated to be \$1,303,380,000 (\$8,146,126,000 X 16.0% = \$1,303,380,160).
- Current state sales tax rate on food and food ingredients is 6.0%.
- The decrease to state sales tax revenues is estimated to be \$72,203,000 (\$1,303,380,000 x 6.0% = \$78,202,800).
- The \$72,203,000 in state sales tax revenues would be apportioned as follows: \$20,957,000 to the General Fund, \$47,002,000 to the

Education Fund, \$3,316,000 to local governments, \$265,000 to the Department of Revenue (DOR), and \$663,000 to the Sinking Fund.

- Local governments lose \$3,316,000 in state-shared sales tax revenue.
- The net decrease to state revenues is estimated to be \$68,887,000 (\$72,203,000 - \$3,316,000 local government share = \$68,887,000).
- The local option sales tax rate is estimated to average 2.25%.
- The permissive decrease to local option sales tax revenue is estimated to be \$29,326,000 (\$1,303,380,000 X 2.25% = \$29,326,050).
- DOR is authorized to promulgate rules and regulations to effectuate the provisions of this act.

### **CERTIFICATION:**

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" and last name "White" clearly legible.

James W. White, Executive Director